

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 CIAE-00 COME-00 DODE-00 DOTE-00

FMC-01 INR-07 NSAE-00 CG-00 OFA-01 DLOS-03 L-02 H-02

TRSE-00 SS-15 NSC-05 SP-02 STR-01 PA-01 USIA-06

PRS-01 /061 W

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R 241725Z MAR 75

FM AMEMBASSY NASSAU

TO SECSTATE WASHDC 6558

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E. O. 11652: N/A

TAGS: EWWT ETRD BF

SUBJ: PROPOSED LATIN AMERICAN/CARIBBEAN SHIPPING VENTURE

REF: STATE 53224

1. GCOB PLANS TO ESTABLISH FLAG OF CONVENIENCE UNDER NEW SHIPPING LEGISLATION DRAFTED BY MINISTRY OF TRANSPORT WHICH MINISTRY HOPES WILL GO TO CABINET BY MAY OF THIS YEAR. SHIPPING IN BAHAMAS NOW OPERATES UNDER UK SHIPPING ACT ADHERED TO BY GCOB AT TIME OF INDEPENDENCE 1973 AND NEITHER CHANGED NOR AMENDED BY GCOB SINCE.

2. PROPOSED ACT INCORPORATES 90 PERCENT OF CURRENT LEGISLATION. MAJOR DIFFERENCE IN NEW ACT WOULD BE TO ALLOW NON-BAHAMIAN TO OWN, MANAGE AND MAN SHIPS UNDER BAHAMIAN REGISTRATION (UNDER UK ACT CERTAIN OFFICERS HAVE TO BE COMMONWEALTH CITIZENS AND THE SHIP MUST BE FROM A COMMONWEALTH PORT).

3. GCOB WANTS TO ESTABLISH FLAG OF CONVENIENCE TO RAISE REVENUE. SHIPS CURRENTLY REGISTERED IN BAHAMAS PAY PRACTICALLY NO FEE. UNDER NEW SYSTEM A SHIP REGISTERING WOULD PAY AN INITIAL AND AN ANNUAL FEE (MINISTRY OF TRANSPORT IS THINKING IN TERMS LIMITED OFFICIAL USE

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OF A \$2 PER NET TON INITIAL FEE AND 10 PERCENT OF \$2 PER NET

TON FOR ANNUAL FEE). GCOB HOPES TO ATTRACT SHIPOWNERS BY OFFERING A TAX HAVEN ON SHIPS'EARNINGS.

4. GCOB HAS CONTACTED POTENTIAL CUSTOMERS THROUGHOUT THE WORLD AND BELIEVES THEIR BUSINESS WILL COME FROM HONG KONG, EUROPE AND USA. IN ADDITION TO TAX HAVEN, GCOB BELIEVES THEY WILL ATTRACT SHIPOWNERS BY GCOB'S INTENT TO MAINTAIN HIGH MARITIME TRADE STANDARDS THUS RELIEVING SHIPOWNERS OF HARRASSMENT BY INTERNATIONAL TRADE UNIONS.

5. ALTHOUGH NO OPPOSITION EXISTS WITHIN GCOB TO FLAG OF CONVENIENCE PLAN, THEREIS DIFFERENCE OF OPINION ON WHAT MODEL NEW SHIPPING ACT SHOULD FOLLOW. MINISTRY'S DRAFT AS STATED ABOVE, IS BASED 90 PERCENT ON BRITISH MODEL. SOME PEOPLE IN GCOB BELIEVE THAT LEGISLATION SHOULD BE BASED ON AMERICAN/LIBERIAN MODEL INSTEAD OF BRITISH MODEL. THE NEW YORK FIRM OF HAIGHT, GARDNER, POOR AND HAVENS HAS ALSO ADVISED GCOB TO USE AMERICAN/LIBERIAN MODEL STATING THAT BRITISH STANDARDS ARE TOO HIGH TO ATTRACT SHIPOWNERS. MINISTRY OF TRANSPORT BELIEVES, HOWEVER, THAT IF GCOB LOWERS STANDARDS THERE WOULD BE NO REASON FOR SHIPOWNERS TO COME TO THE BAHAMAS RATHER THAN ANOTHER FLAG OF CONVENIENCE NATION.

6. MINISTRY OF TRANSPORT BELIEVES THAT PROPOSED DRAFT, WITH MINOR CHANGES, WILL BE APPROVED BY CABINET AND EVENTUALLY PASSED BY PARLIAMENT. IF THIS IS CASE BAHAMAS COULD BE READY AS SOON AS JANUARY 1, 1976 TO REGISTER VESSELS UNDER NEW ACT. HOWEVER, IF ACT MUST BE REWRITTEN TO FOLLOW AMERICAN/LIBERIAN MODEL, ESTABLISHMENT OF BAHAMIAN FLAG OF CONVENIENCE COULD VERY WELL TAKE THREE TO FIVE YEARS AS MINISTRY OF TRANSPORT WOULD HAVE TO BEGIN FROM SCRATCH TO DRAFT NEW LEGISLATION. DECISION AS TO WHICH MODEL TO FOLLOW IS A POLITICAL ONE THAT WILL BE MADE WITHIN NEXT TWO MONTHS.

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## Message Attributes

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**Disposition Date:** 28 MAY 2004  
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